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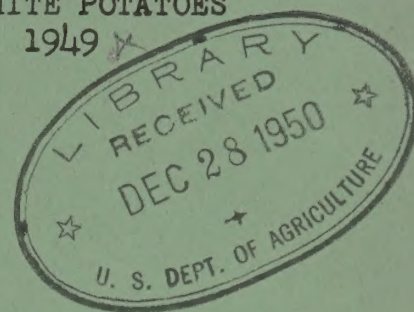


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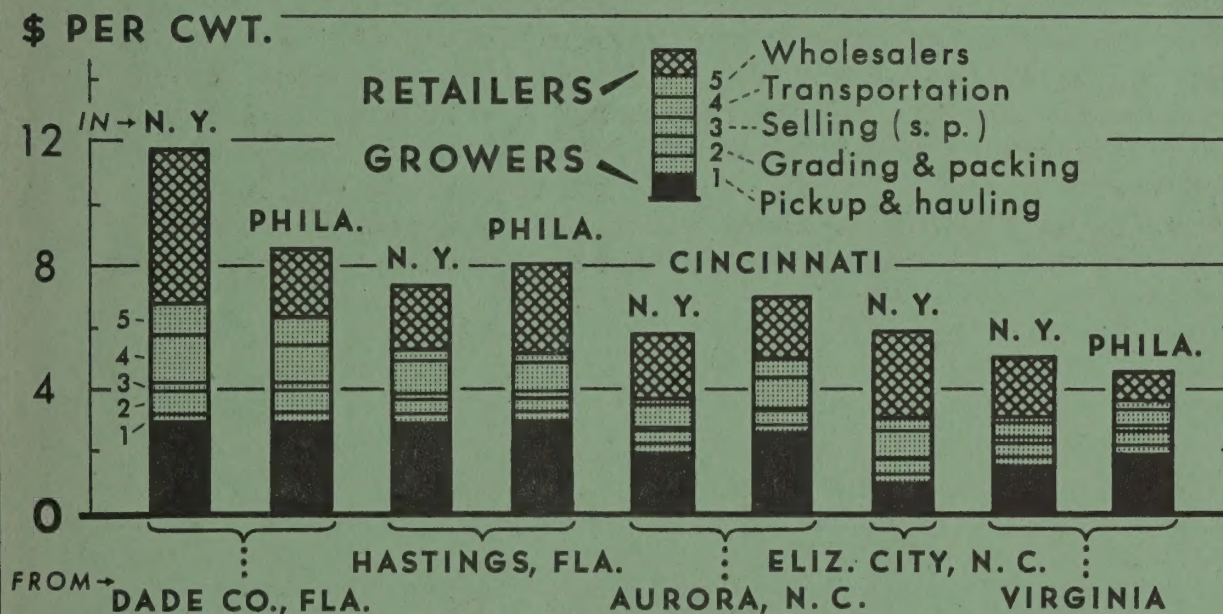
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FARM-TO-RETAIL MARGINS FOR MARKETING SOUTHEASTERN EARLY WHITE POTATOES
IN PHILADELPHIA, NEW YORK, CHICAGO, AND CINCINNATI, 1949



Where It Goes

The RETAIL PRICE OF POTATOES In Three Major Cities



DATA ARE FOR EARLY IRISH POTATOES MARKETING IN 1949

U. S. DEPARTMENT OF AGRICULTURE

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U.S. UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics,
Washington 25, D. C.
October 1950

The data presented in this report were collected as a part of the regional study of marketing early white potatoes produced in the Southeastern region, which was financed from funds supplied by the Research and Marketing Act of 1946. The cooperating agencies in the regional study were the Agricultural Experiment Stations of Alabama, Florida, North Carolina, South Carolina, and Virginia and the Bureau of Agricultural Economics and the Bureau of Plant Industry of the U.S. Department of Agriculture. J. M. Johnson of the Virginia Agricultural Experiment Station, and L. J. Kushman, of the Bureau of Plant Industry, contributed generously to these data.

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FARM-TO-RETAIL MARGINS FOR MARKETING SOUTHEASTERN EARLY WHITE POTATOES
IN PHILADELPHIA, NEW YORK, CHICAGO, AND CINCINNATI, 1949

By William N. Garrott, Agricultural Economist. 1/

With some decline in potato prices and in growers' incomes since the end of World War II, producers have become more interested in the problems associated with more efficient marketing of their production. Growers of potatoes are interested in the distribution of marketing costs or margins among the agencies in the marketing channels because a large part of the consumer's dollar spent for potatoes goes to defray the costs of marketing. Producers are interested in learning the nature of these marketing charges and their size, and the services rendered for these charges. They want to develop this better understanding of the distributive system so they can use the more efficient channels and get a higher net return from the sale of their products.

This is a report on the margins taken for marketing services on 66 test shipments of potatoes from southeastern producing areas to Philadelphia, New York, Chicago, and Cincinnati. The data cover the major costs of marketing in a fairly wide sense, beginning with digging and including the sale at retail to the consumers.

Average marketing charges were 4.8 cents per pound for the 66 test shipments from 7 southeastern producing areas. 2/ The average marketing charge would be more than 5 cents per pound if the shrinkage, waste, and spoilage, of approximately 10 percent were taken into consideration. The retail price for these shipments averaged 7.5 cents per pound of which the grower received 36 percent or 2.7 cents and the marketing agencies 64 percent. (Table 1.)

The marketing of Southeastern early white potatoes begins in late January and early February in Dade County, Fla., proceeding into the Hastings area of Florida, thence to Alabama, to South Carolina, and up the Eastern Coast through North Carolina, Virginia, Maryland, and New Jersey. As the southeastern marketing season progresses additional competition enters from western and southwestern producing areas. The impact of this competing production on reaching the market is recognizable in these data in the difference in growers' returns after the South Carolina season is over.

The growers' actual return was approximately the same for the Florida, Alabama, and South Carolina producing areas but fell sharply for North Carolina and Virginia. A large portion of the potatoes from Florida, Alabama, and South Carolina are sold f.o.b. shipping point. Buying prices

1/ On an internship appointment arranged cooperatively between the University of Florida and the Bureau of Agricultural Economics.

2/ Areas studied were Dade County and the Hastings area of Florida, Baldwin and Escambia Counties in Alabama, the Charleston area of South Carolina, the Aurora and Elizabeth City areas in North Carolina, and the Eastern Shore area in Virginia.

are about the same in each producing area in these three States; the price to growers in North Carolina is considerably lower. The Florida, Alabama, and South Carolina producers predominantly market the red Bliss Triumph, the Pontiac, and the Sebago varieties. These varieties are frequently washed before they are shipped from the packing house. This improves their appearance and enables the shippers to demand a higher price. The shallow eyes and blight resistant characteristics make this operation possible and profitable. On the other hand the Irish Cobblers grown in North Carolina and Virginia have deep eyes and are often blighted making washing an unprofitable operation. As these characteristics detract from the appearance and quality, the potatoes bring a lower price in the market.

The return to growers in the areas covered in this study varied from \$1.01 per hundredweight for potatoes shipped from the Elizabeth City area of North Carolina to New York City to an average of \$3.01 per hundredweight for those shipped from the Hastings area of Florida to Philadelphia. (Table 1.) The cost of marketing services between the farm and the retail sale varied considerably from area to area, and accounted for a large part of the variation in the growers' return.

Charges for picking up and hauling to the packing shed varied only slightly from area to area. Many of the laborers who did this work followed the harvest up the coast and received approximately the same wage regardless of the location of the area. The charge per hundredweight, based on packed weight for picking up and hauling to the grading shed, varied from 21 cents per hundredweight in the Hastings area of Florida to 27 cents on the Eastern Shore of Virginia.

Charges for grading and packing varied considerably depending mainly upon the type of container used and the amount of labor required for packing and handling. In Dade County Fla., for example, the potatoes were washed and dried and then packed in 50-pound paper bags under very careful grading practices. The charge for grading and packing was the highest of any of the areas studied--75.7 cents per hundredweight on a packed-weight basis. Some of the packers in Dade County reported that the more careful grading was necessary primarily because the potatoes were packed in these bags rather than burlap. For these test shipments burlap bags were more expensive than paper but potatoes packed in paper bags require extra care to prevent overheating in shipment. The lowest cost for packing and grading was found in the Elizabeth City area of North Carolina--41 cents per hundredweight, packed-weight basis. In this area the washing was not practiced generally and potatoes were packed in 100-pound burlap bags.

Selling charges at shipping point did not vary noticeably for these test lots except in Alabama where special methods of sale made this charge seem relatively high. 3/ Shipping-point selling charges varied from 5 to 18

3/ Ordinarily potatoes are sold by brokers who charge a specified fee per bag for this service. In Alabama this practice was not followed. Instead, shippers and packers who had bought their potatoes outright from the growers graded and packed them and sold them through terminal market brokers. Shippers shared equally with these brokers any profits over and above the cost of the potatoes graded, packed, and loaded at shipping point. For this reason the shipping-point selling charge appears high for Alabama when, strictly, speaking, this is not a shipping-point selling charge.

cents per hundredweight in the areas other than Alabama.

Transportation charges, including refrigeration, cartage and other services, where applicable, varied directly with the distance from market. Wholesale margins varied widely between the test shipments from the producing areas. Those shipments originating in Dade County averaged the highest wholesale margins. This may be largely due to the fact that most of the lots from this area were handled by more marketing agents in the terminal market than was true of the lots from other production areas that were studied. The wholesale margin varied from 15 cents per hundredweight on those potatoes shipped from the Virginia area to \$1.10 per hundredweight for those shipped from Dade County, Fla.

The most variation in specified margins for these test shipments was found in the retail margin. Potatoes from Dade County marketed in New York City had the highest average retail margin--\$5 per hundredweight--while this charge for potatoes from Virginia marketed in Philadelphia averaged only 86 cents per hundredweight. With the exception of the lots followed from these two areas to New York and Philadelphia, representing the high and low of the retail margins, the charge for this service varied only slightly. (Fig. 1.)

Table 1.--Farm to retail margins for marketing southeastern area early white potatoes in Philadelphia, New York City, Chicago, and Cincinnati, 1949 1/

Item	Dade : Dade : East.: East.: Ala. : S.C. : S.C.:Aurora:Eliz.: Va. : Wtd.												
	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	to : to : to : to : to : to : to : to : to : to : to : to :	
No. of lots	9	3	8	16	8	4	5	3	2	2	2	4	
	Dols.	Dols.	Dols.	Dols.	Dols.	Dols.	Dols.	Dols.	Dols.	Dols.	Dols.	Dols.	
Grower's return	2.83	2.89	3.01	2.95	2.98	2.76	2.98	1.92	2.54	1.01	1.84	1.51	2.69
Marketing charges for:													
Picking up and hauling	.24	.24	.21	.21	.25	.24	.24	.23	.23	.25	.27	.27	.23
Grading and packing	.76	.76	.48	.48	.46	.53	.53	.42	.42	.41	.43	.43	.52
Shipping Point selling	.17	.17	.15	.15	.54	.18	.18	.05	.05	.05	.15	.15	.20
Transportation	1.25	1.50	1.00	1.12	1.14	.92	.92	.75	1.16	.86	.57	.53	1.04
Wholesaling	.95	1.10	.33	.31	.66	.48	.33	.15	.60	.37	.28	.15	.48
Retailing	2.30	5.00	2.89	2.04	2.10	2.20	2.41	2.15	1.95	2.85	.86	2.01	2.35
Total	5.67	8.77	5.06	4.31	5.15	4.55	4.61	3.75	4.41	4.79	2.56	3.54	4.82
Retail price	8.50	11.66	8.07	7.26	8.13	7.31	7.59	5.67	6.95	5.80	4.40	5.05	7.51
	Share of consumer dollar												
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Grower's return	33.3	24.8	37.3	40.6	36.7	37.8	39.3	33.9	36.6	17.4	41.8	29.9	35.9
Marketing charges for:													
Picking up and hauling	2.8	2.1	2.6	2.9	3.1	3.3	3.2	4.0	3.3	4.3	6.1	5.3	3.1
Grading and packing	8.9	6.5	6.0	6.6	5.7	7.2	6.9	7.4	6.0	7.1	9.8	8.5	7.0
Shipping Point selling	2.0	1.5	1.9	2.1	6.6	2.5	2.4	.9	.7	.9	3.4	3.0	2.5
Transportation	14.7	12.9	12.4	15.4	14.0	12.5	12.1	13.2	16.7	14.8	13.0	10.5	13.8
Wholesaling	11.2	9.4	4.0	4.3	8.1	6.6	4.3	2.7	8.5	6.4	5.4	3.0	6.4
Retailing	27.1	42.8	35.8	28.1	25.8	30.1	31.8	37.9	28.1	49.1	19.5	39.8	31.3
Total	66.7	75.2	62.7	59.4	63.3	62.2	60.7	66.1	63.4	82.6	58.2	70.1	64.1
Retail price	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ The potatoes in each lot were shipped as U.S. No. 1 grade

